

AMENDED IN ASSEMBLY MARCH 28, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 2123

Introduced by Assembly Member Lieu

*(Coauthors: Assembly Members Brownley, Coto, De Leon, Dymally,
Garrick, and Hancock)*

(Coauthor: Senator Cedillo)

February 20, 2008

An act to add Division 22 (commencing with Section 70000) to the Financial Code, relating to financial literacy.

LEGISLATIVE COUNSEL'S DIGEST

AB 2123, as amended, Lieu. California Financial Literacy Initiative.

The California Constitution requires the Legislature to encourage the promotion of intellectual improvement. Existing law regulates financial institutions and their interactions with the public. Existing law recognizes the existence of specialized financial institutions that provide services, including, but not limited to, financial literacy training, to underserved communities.

This bill would establish the California Financial Literacy Initiative for the purpose of improving financial literacy by offering instructional materials to citizens of California. The initiative would be administered by the Controller, who would be authorized to provide, among other things, an online library of financial literacy resources and materials to be made available for all Californians. The Controller would be authorized to convene a Financial Literacy Advisory Committee that may include representatives of the office of the Superintendent of Public Instruction, the office of the Treasurer, the Department of Corporations, the Department of Financial Institutions, *the Department of Consumer*

Affairs, the Department of Finance, a representative from the financial services industry, a representative from the nonprofit sector associated with consumer advocacy, and others invited by the Controller. The bill would require the Controller, as resources are available, to establish and oversee the California Financial Services Corps, which would provide certain financial information to low- and middle-income Californians who do not have financial advisors. The bill would require the Franchise Tax Board to coordinate the promotion and activities of the Financial Services Corps with the board's tax assistance programs. The bill would establish the California Financial Literacy Fund in the State Treasury and would authorize the Controller to deposit donations from nonprofit entities into the fund. The bill would authorize moneys in the fund, upon appropriation by the Legislature, to be used for the purpose of establishing the services specified in the initiative.

The bill would require the Controller, beginning in 2010, to report to the Legislature annually on or before August 30 on the implementation of the initiative, as specified.

The bill would require specified state agencies to use existing resources for the initiative if those agencies elect to participate.

Vote: majority. Appropriation: no. Fiscal committee: yes.

State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) ~~The average American household consumer credit card debt~~
- 4 ~~is about eight thousand dollars (\$8,000).~~
- 5 (b) ~~Forty-three percent of American families spend more than~~
- 6 ~~they earn, and data from the Federal Reserve states that Americans~~
- 7 ~~hold a total debt of \$1.9773 trillion, not including mortgage debt,~~
- 8 ~~averaging eighteen thousand six hundred fifty-four dollars~~
- 9 ~~(\$18,654) per household.~~
- 10 (c) ~~High school seniors taking part in a national survey of~~
- 11 ~~financial knowledge scored an average of 52.4 percent, which is~~
- 12 ~~a failing grade.~~
- 13 (d) ~~Undergraduate students reported their freshman year as the~~
- 14 ~~most prevalent time for obtaining credit cards, with 56 percent~~
- 15 ~~reporting that they obtained their first credit card at 18 years of~~
- 16 ~~age.~~

1 ~~(e) Many groups are dedicated to increasing the financial literacy~~
2 ~~of Americans and a broad range of quality personal finance~~
3 ~~instructional materials and curricula have been created for this~~
4 ~~purpose.~~

5 ~~(f) California does not have an official statewide policy or~~
6 ~~educational plan for the teaching of financial literacy.~~

7 ~~(g) Financial literacy materials and resources exist in many~~
8 ~~forms but are not organized or collected in a systematic manner.~~

9 ~~(h) The teaching of financial literacy skills is vital to equip the~~
10 ~~young people of California with the tools they need to enter the~~
11 ~~financial marketplace.~~

12 ~~(i) As the 2007 subprime mortgage crisis demonstrated, there~~
13 ~~is a severe shortage of affordable financial advisors to counsel~~
14 ~~middle and lower income Californians and advise them on how to~~
15 ~~plan when a fiscal crisis hits.~~

16 *(a) A recent survey by Dartmouth College and Harvard*
17 *University researchers found that only 35 percent of respondents*
18 *were able to correctly estimate how interest compounds over time,*
19 *more than half of respondents did not understand how minimum*
20 *payments are calculated and applied to a principal balance, and*
21 *almost none of the respondents understood the financial difference*
22 *between paying in monthly installments versus one lump sum at*
23 *the end of a certain time period.*

24 *(b) The average American household consumer credit card debt*
25 *among low- and moderate-income households is eight thousand*
26 *six hundred fifty dollars (\$8,650).*

27 *(c) High school seniors taking part in a national survey of*
28 *financial knowledge scored an average of 52.4 percent, which is*
29 *a failing grade.*

30 *(d) There were 164 million credit card holders in the United*
31 *States in 2003 and that number is projected to grow to 176 million*
32 *in 2008. These same Americans own approximately 1.5 billion*
33 *cards, which is an average of nearly nine credit cards issued per*
34 *credit card holder.*

35 *(e) More than 40 percent of American families spend more than*
36 *they earn.*

37 *(f) California does not have an official statewide policy or*
38 *education plan for teaching of financial literacy.*

39 *(g) Americans 25 to 34 years of age now have the second highest*
40 *rate of bankruptcy, just after those 35 to 44 years of age. The*

1 *bankruptcy rate among those individuals between 25 to 34 years*
2 *of age increased between 1991 and 2001, indicating that those*
3 *individuals were more likely to file bankruptcy as young adults*
4 *than were young baby boomers at the same age.*

5 *(h) The national annual savings rate has declined from 9 percent*
6 *in the 1980s to approximately -0.4 percent of after-tax household*
7 *income, a level not seen since the Great Depression.*

8 *(i) Less than 20 percent of United States workers are now in*
9 *employer pension plans and nearly 28 million United States*
10 *households, 37 percent of the total, do not have a retirement*
11 *savings account of any kind.*

12 *(j) California does not have an official statewide policy for the*
13 *teaching of financial literacy.*

14 *(k) Many groups are dedicated to increasing the financial*
15 *literacy of Americans and a broad range of quality personal*
16 *finance instructional materials and curricula have been created*
17 *for this purpose.*

18 *(l) Financial literacy materials and resources exist in many*
19 *forms but are not organized or collected in a systematic manner.*

20 *(m) As the 2007 subprime mortgage crisis demonstrates, there*
21 *is a severe shortage of affordable financial advisors to counsel*
22 *middle- and lower-income Californians and to advise them on how*
23 *to plan for a financial crisis.*

24 SEC. 2. Division 22 (commencing with Section 70000) is added
25 to the Financial Code, to read:

26
27 DIVISION 22. CALIFORNIA FINANCIAL LITERACY
28 INITIATIVE
29

30 70000. For purposes of this division, “initiative” means the
31 California Financial Literacy Initiative.

32 70001. (a) The California Financial Literacy Initiative is hereby
33 established as a program for improving financial literacy by
34 offering instructional materials to citizens of California.

35 (b) The initiative shall be administered by the Controller who
36 shall establish an Office of Financial Literacy Advocate for these
37 purposes to be funded as resources are available.

38 70002. (a) The goals for the initiative are to accomplish both
39 of the following:

1 (1) Provide Californians with the tools they will need to manage
2 financial commitments associated with ~~loans~~ *borrowing, credit,*
3 *and other financial decisions.*

4 (2) Promote high-quality programs that provide instruction on
5 pertinent financial literacy issues as determined by the Controller.

6 (b) The Controller may do all of the following:

7 (1) Provide an online library of financial literacy resources and
8 materials to be made available for all Californians.

9 (2) Coordinate and collaborate with financial institutions,
10 financial services providers, and nonprofit community
11 organizations in collecting and distributing financial literacy
12 materials.

13 (3) Organize financial literacy materials, to be made available
14 in a manner that ensures that materials are accessible to
15 Californians with only a basic ~~fundamental~~ *financial* education.

16 70003. (a) The Controller may convene a Financial Literacy
17 Advisory Committee to review materials that can be provided on
18 the Internet in a centralized location for ~~access by local educational~~
19 ~~agencies for~~ purposes of ensuring that Californians have access to
20 appropriate financial literacy resources.

21 (b) The Financial Literacy Advisory Committee shall be chaired
22 by the Controller and may include representatives of the office of
23 the Superintendent ~~for~~ *of* Public Instruction, the office of the
24 Treasurer, the Department of Corporations, the Department of
25 Financial Institutions, *the Department of Consumer Affairs, the*
26 *Department of Finance, a representative from the financial services*
27 *industry, a representative from the nonprofit sector associated*
28 *with consumer advocacy,* and others to be invited by the Controller.

29 70004. As resources are available, the Controller shall establish
30 and operate a financial literacy information toll-free telephone
31 number and Internet Web site to provide basic financial information
32 on the following subjects: financial credit scores, credit card
33 applications, bank account applications, simple and compound
34 interest calculations, and interest rates. The Controller shall provide
35 this service in the following languages: English, Spanish, Chinese,
36 Tagalog, Vietnamese, and Korean.

37 70005. ~~(a)~~ Financial institutions, financial services providers,
38 nonprofit community organizations, and other entities whose
39 materials or resources are included in the online library provided
40 pursuant to paragraph (1) of subdivision (b) of Section 70002 may

1 include in those materials a means of collecting data, including,
2 but not limited to, all of the following:

3 ~~(1)~~

4 (a) The estimated number of users.

5 ~~(2)~~

6 (b) The age of the user.

7 ~~(3)~~

8 (c) Any other relevant information that would aid in the purpose
9 of furthering financial literacy pursuant to this division.

10 ~~(b) As resources are available, the Controller shall provide the~~
11 ~~service described in this section in English, Spanish, Chinese,~~
12 ~~Tagalog, Vietnamese, and Korean.~~

13 70006. (a) As resources are available, the Controller shall
14 establish and oversee the California Financial Services Corps. The
15 purpose of the California Financial Services Corps shall be to
16 provide clear, professional, and objective financial information,
17 without promotion of any financial products, to low- or
18 middle-income Californians who are not currently using a financial
19 advisor. Volunteers with professional certifications in financial
20 planning or comparable professional training shall be invited to
21 serve in the corps. Financial information shall pertain to the
22 following major consumer purchases: automobile, home, or any
23 other loan or investment not to exceed ten thousand dollars
24 (\$10,000).

25 ~~(b) The Franchise Tax Board shall coordinate the promotion~~
26 ~~and activities of the California Financial Services Corps with the~~
27 ~~board's tax assistance programs.~~

28 ~~(e)~~

29 (b) The Controller shall attempt to staff the California Financial
30 Services Corps with individuals who speak the following
31 languages: English, Spanish, Chinese, Tagalog, Vietnamese, and
32 Korean.

33 70007. ~~(a)~~ The California Financial Literacy Fund is hereby
34 established in the State Treasury. The Controller may accept
35 donations from nonprofit entities and deposit those donations into
36 the fund, that, upon appropriation by the Legislature, may be used
37 for the purpose of establishing the services described in this
38 division. The California Financial Literacy Fund shall be subject
39 to annual audit.

1 70008. Beginning in 2010, the Controller shall provide to the
2 respective chairpersons of Assembly Committee on Banking and
3 Finance and the Senate Committee on Banking, Finance and
4 Insurance an annual report on the Controller's Financial Literacy
5 Initiative. This report shall include, but not be limited to, the
6 number of persons assisted by the financial literacy information
7 toll-free telephone number and Internet Web site, a description of
8 the inquiries made to those services, steps taken to partner with
9 the financial services community and governmental and
10 nongovernmental stakeholders to improve Californians' financial
11 literacy, a description of the basic financial skills information
12 available on the Controller's Web site and plans to improve that
13 clearinghouse of information, any nonstate funding received for
14 purposes of this initiative, and any additional recommendations
15 to enhance financial literacy in California. This report shall be
16 submitted no later than August 30 of each year.

17 70009. It is the intent of the Legislature that state agencies
18 involved in the Financial Literacy Advisory Committee shall
19 actively support the initiative. State agencies in the executive
20 branch of government, including boards, commissions, and
21 constitutional officers, shall use existing resources for the initiative
22 if they elect to participate.